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IN THIS ISSUE

PAGE

Foreign Markets for U. S. Wheat 3

Tibetan Wool 6

Brazilian Agricultural Policy Affects Trade 8

Improving the Potato of Peru 14

World Sugar Situation 17

FRONT COVER

Threshing Wheat in France

During the past season France harvested a near-record crop of wheat—325 million bushels. Western Europe as a whole, which took great quantities of United States wheat in the first few years after the war, harvested one of the largest crops in its history.

BACK COVER

Wheat and Wheat Flour Exports

United States shipments of wheat and wheat flour have been, on the average, nearly ten times larger in the postwar years than they were just before the war and in the early war years. These shipments were boomed by the urgent need for food in a dislocated world. Now, however, the world generally is in an abundant supply position as far as wheat is concerned, and United States exports are declining from previous high levels.

Credit for photos is given as follows: p. 4, French Embassy Press and Information Division; p. 8, Moore-McCormack Lines; pp. 14-16, A. F. Swanson and N. M. Ward.

NEWS NOTES

FAO Conference Highlights

At the biannual conference of the Food and Agriculture Organization of United Nations concluded in Rome in mid-December, Dr. Philip Vincent Cardon was elected Director General for a 4-year term. Dr. Cardon, one of America's best known agricultural scientists, succeeds Norris E. Dodd, who has served as Director General since 1948.

Mr. Dodd reported that, in 1953, for the first time since the war, world food production exceeded population growth. Therefore he recommended that FAO shift its emphasis from over-all expansion of food production to selective expansion, in areas and commodities where there is still need.

At the conference, many of the smaller exporting nations expressed fears as to what would be done with the large unsold stocks of agricultural commodities that are now accumulating in the United States and certain other countries. That their release on the market might seriously depress world prices was one of the greatest fears. So the conference set up a small international committee that will meet in Washington early in 1954 to study "The most suitable means of disposing of agricultural surpluses . . . without harmful interference with normal patterns of productions and international trade."

Regarding action to meet famine, the conference reaffirmed FAO's procedure for keeping such situations under continuous review and providing a mechanism whereby nations can consult with regard to concerted action. It turned down, as impracticable at the present time, a proposal to set up an actual reserve of food or money for famine relief.

A fuller report on the conference will appear in the February issue of *Foreign Agriculture.*

FOREIGN AGRICULTURE ALICE FRAY NELSON, EDITOR

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Foreign Markets for U. S. Wheat*

by ROBERT L. GASTINEAU

The outlook for United States wheat in foreign markets during the current marketing season is one of continued readjustment—of further decline from the unusually high levels of the earlier postwar period. It is readjustment *from* an all-time record total world trade in wheat and flour, to which the United States contributed nearly half. It is readjustment *to* the more realistic level of trade one might expect in a world that is not engaged in a major shooting war, and to a more realistic share of that trade by the United States.

One of the obvious aspects of that readjustment is acreage allotments and marketing quotas. One of the major encouraging aspects is the indication that a substantial part of the readjustment to our longer-term export market for wheat was made during the 1952-53 marketing season.

That season, and its level of wheat exports, is a suitable point of departure for answering three questions—three questions whose answers provide a general understanding of the outlook for United States wheat in world markets: (1) where have we been? (2) where are we now? (3) where are we going?

The 1952-53 year is a suitable point of departure for it was a year of significant developments for the wheat trade. Total world trade in wheat and flour during the year was very close to the postwar average of 900 million bushels. It was the first year of the postwar period during which many countries were no longer entirely dependent on current production to meet their requirements; a record world wheat crop was harvested in 1952, and reserves were on the increase—in many countries from a low level of carryover stocks. It was the year Argentina reentered the world wheat market as one of the principal exporters. It was the year during which a renewal of the International Wheat Agreement was negotiated with significant revisions in quantities and in the price range. It was a year that marked the beginning of a review and reappraisal of the agricultural programs and policies of the United States. And it was the year that saw the negotiation of a truce in Korea and some easing in international tensions.

Where Have We Been

As to the question "Where have we been?" the story of postwar world trade in wheat—and the United States contribution to that trade—is by now a familiar one. A brief review of that story, however, may serve as useful background. Total world trade in wheat during the seven marketing years from 1945-46 through 1951-52 averaged slightly more than 900 million bushels. For individual years of that period the total ranged from a low of 760 million bushels in 1946-47 to an all-time high of more than 1 billion in 1951-52.

Western Europe was the principal market for this trade—taking, on the average, about 60 percent of the total. Asia was next in importance with 20 percent, followed by the Western Hemisphere with 15 percent, and Africa with the remaining 5 percent.

The earlier postwar years were characterized by the critical food shortages that invariably accompany the dislocations of war. They were also characterized by sweeping political and economic changes that resulted in some fundamental shifts in the supply-demand relationships for wheat. Important sources of supply for grain in Eastern Europe and the Danube Basin were moved behind the Iron Curtain and lost much of their former importance as surplus producers. Population increases in Asia, and a sharp decline in the level of world rice trade (again an aftermath of war in the Pacific), brought increased requirements for wheat in that area. There were other changes. Argentina, for example, lost much importance as a wheat exporter during this period as a result of its industrialization program. Only in recent years has there been a shift in emphasis back to a policy of increased production of grain in that country.

This postwar period has been described as one of abnormally high world import requirements for

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*Adapted from address before 31st Annual Agricultural Outlook Conference, Washington, D. C.

wheat. Reviewing the developments and changes that have taken place during the past 8 years, however, it appears that some of these increased requirements may have become fairly permanent. This situation has real significance for the United States wheat industry. Before World War II (1935-39), United States exports of wheat and flour averaged only 45 million bushels annually. Since the war the annual average has been about 400 million bushels. The difference between these two levels is measured in millions of acres of wheat land. To the extent that our foreign outlets for wheat and flour can be maintained, costly readjustments will be minimized.

Where Are We Now

Coming to the question "where are we now?" present indications are that total world trade in wheat and flour during the current marketing season will be about 10 percent lower than the total of approximately 925 million bushels for 1952-53. In the case of wheat, it may now be said that there has been complete recovery in levels of production (and in the supply position) of most countries as compared with the earlier postwar period. The 1953 world wheat crop is now estimated to be only slightly below the record 1952 harvest of 7.3 billion bushels. The decline from a year ago is accounted for mainly by smaller crops harvested in the United States and Canada, and expected in the Southern Hemisphere—principally Australia and Argentina. The 1953 wheat crop of nearly 1.3 billion bushels in Western Europe—the main deficit area—is above a year ago and exceeds the 1945-49 postwar average by about 335 million bushels.

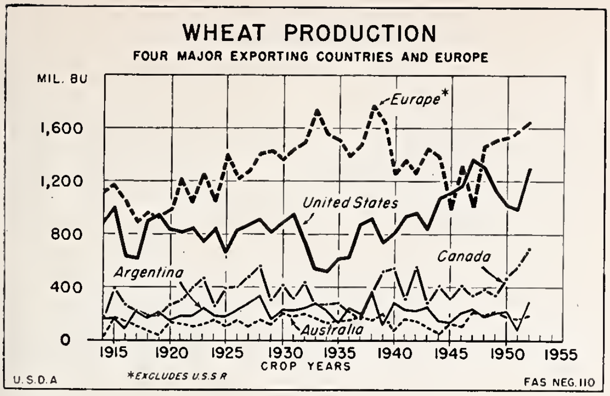
Supplies of wheat available for export or carryover in the principal exporting countries at the beginning of the 1953-54 marketing season totaled nearly 1.2 billion bushels—about double the level of July 1, 1952. Adding new-crop supplies in North America, the totals for the United States and Canada reach record or near-record proportions.

Supplies of wheat available for export in countries other than the so-called Big Four are also at the highest level since before World War II. Turkey and France report record and near-record crops; French North Africa, the Middle East, and Sweden will have supplies for export; and the USSR and Danube Basin countries have been contributing about 35 million to 50 million bushels to the annual total of world wheat trade in recent years.

In this situation, with supplies of wheat generally abundant in both exporting and importing areas, it is to be expected that the level of United States exports will decline in the 1953-54 year. For the 1952-53 season the total was about 317 million bushels. This year, according to present indications, the total will be 250 million bushels or lower. However, the overseas demand for United States wheat will have to pick up considerably during the second half year if the 250-million goal is to be reached. Exports of wheat and flour in the July-November period totaled 90 million bushels, but this includes about three-fourths of the present relief program for Pakistan, which provides about 26 million bushels of wheat.

There are, of course, some factors—unknown at present—that will have a bearing on total exports for the year. For example, the final outcome of December-January harvests in the Southern Hemisphere (in Argentina and Australia) will influence

Cutting wheat in Brie, France. The wheat lands of Western Europe yielded a record crop last year—more than a billion bushels.



the overseas demand for United States wheat. Production prospects for the Northern Hemisphere in the spring of 1954 will also have an important bearing on the total. Furthermore, the effects of Section 550 of the Mutual Security Act of 1953 on United States wheat exports are not definitely known at this time. This program provides for the purchase of between $100 million and $250 million worth of United States surplus agricultural commodities to be resold overseas for foreign currencies. It also provides, among other things, that such purchases not displace, or be substituted for, usual marketings of the United States and friendly countries.

Wheat and flour are included in the list of commodities eligible for purchase with foreign currencies under Section 550. However, considering the language of the provision together with the total appropriation involved, it would seem that wheat and flour exports under Section 550 may be somewhat limited.

Where Are We Going

The beginning of this statement noted one of the encouraging aspects of the export situation; namely, that a substantial part of the readjustment to our longer-term export market for wheat and flour was made during the 1952-53 marketing season.

At the Senate Agriculture Committee's hearing last April-May on imports and exports, Foreign Agricultural Service made the statement that "it seems reasonable to expect that our annual wheat exports could be maintained in a range of 200 [million] to 300 million bushels during the next few years." That statement was based on the assumption of a substantially higher level of world import requirements than before the war. It was also based on the assumption that exports of wheat from countries other than the United States would continue to follow a fairly well established pattern. The usual qualification was made that there be no worsening of the present international situation.

More important than any of these, perhaps, was the assumption that United States exporters of wheat and flour would have some means of bridging the price gap and competing effectively whenever domestic price support programs hold prices in the United States above those prevailing in world markets. It is suggested here that whether United States exports average toward the upper or lower limits of the 200-million to 300-million bushel range will depend largely on a permanent solution to this problem. This is not to imply that these limits are rigid. Exports could exceed 300 million bushels, but could more easily fall below 200 million.

In earlier postwar years the United States depended on foreign aid programs, and more recently on the International Wheat Agreement, to move the bulk of its wheat and flour exports. Obviously, the United States cannot depend indefinitely on foreign aid programs for a planned program of wheat exports. Nor is the renewed Wheat Agreement a completely satisfactory outlet. As originally negotiated, the United States quota under the renewed Agreement was 270 million bushels. Under the agreement reached in October in Madrid by the International Wheat Council the United States quota is now 210 million bushels. This reduction is due primarily to withdrawal of the United Kingdom from the pact.

But while the present Agreement does not offer a completely satisfactory solution, the priniciples of IWA are sound. It is not proposed to discuss here any of the plans for promoting wheat exports that are now being studied. A Department position on the question has not been finally determined. To be successful, however, any plan for promoting exports of United States wheat (and IWA is such a plan) must recognize these facts and principles:

1. The world demand for wheat is limited.
2. Price stability in the world market is just as desirable as it is at home.
3. International cooperation is essential.

One final word. In the case of wheat and flour, the ideals of international cooperation must always be tempered by recognition of the competitive nature of the trade. Other wheat exporting countries are aggressive—and importers are hard bargainers. If the United States gets its share of the market, it will have to work for it!

Tibetan Wool

By JOHN E. METCALF

International political developments cause changes in the pattern of world trade, even in small items. For instance, the United States was once Tibet's principal market for fine wool for warm laprobes and yak hair for Santa Claus beards, but that market ended in 1951, when Tibet passed under Communist control.

The sheep and the yak are Tibet's two most common domesticated animals; together they virtually support the economy of this isolated country in Central Asia—this country that separates China from India. Four-fifths of Tibet is a barren plateau surrounded by glacier-crowned mountains, some reaching up to 29,000 feet; the average elevation of the plateau is 15,000 feet. The southern fifth of the country is slightly less severe; it is traversed by a series of wide river valleys that are remarkably well cultivated considering their 10,000-foot elevation. Here lives the greater part of Tibet's population, engaged in primitive agriculture. The rest are in nomadic tribes that roam much of the bleak, windswept plateau in search of pasturage for their flocks of sheep and yak.

Both animals are highly important to Tibetans: the sheep furnish the wool that finances most of the country's imports, and the yaks furnish nearly everything the nomadic Tibetan uses, from food to shelter. The shaggy, sure-footed yak (*Bos grunniens*) is a distant cousin of the American buffalo. Apparently native to Tibet, this animal is easily domesticated and requires little special treatment or food. It forages for itself without difficulty, even when deep snow covers the ground. It can easily carry heavy packs over precipitous mountain trails, and it is the chief source of draught power for agriculture.

From yak wool is woven an almost indestructible fabric: nomads make their tents of it and a suit of it lasts a lifetime. All rope in Tibet is made of woven yak hair. The hide furnishes leather for innumerable things—boats, saddles, boots, and waterskins, for instance. Yak horns and bones are used in building houses and walls. But really indispensable is dried yak dung, the most common fuel in Tibet, for the country mines no coal and has almost no wood. Yak tails, of course, are famous. In neighboring India they are prized as fly whisks, and from those once shipped to America were made all the better quality Santa Claus beards.

Finally, and most important of all, the yak provides milk, butter, cheese, and meat, which with home-grown barley and imported tea are the staples of the Tibetan diet. Tibetans have only a limited variety of vegetables—turnips, giant radishes, peas, onions, and Chinese cabbage. Rancid yak butter is consumed with great pleasure in this strange country, and it is one of the principal ingredients of the Tibetan national drink, yak-butter tea.

The preparation of buttered tea in Tibet is virtually a ritual. Imported brick tea, usually of low grade, is reduced to a powder by mortar and pestle just before it is used. It is then boiled for about 5 minutes in water; salt and soda are added, the mixture is poured into a home-made wooden churn, and large chunks of rancid yak butter are added. The ingredients are stirred and mashed with a wooden stick until the mixture has somewhat the consistency of a thick soup or gravy. The salt helps to neutralize the rancid flavor of the yak butter. The mixture is then poured into wooden bowls or cups and served. When but a small amount of tea remains in the bowl, it may be mixed with barley flour and perhaps more yak butter to make a dough that is worked into little brown balls and eaten with the fingers. Tibetans consume numerous cups of buttered tea during the course of a day; among the wealthy a daily count of 40 to 50 cups is not uncommon.

Tibet's severe climate, sparse rainfall, and short growing season restrict agriculture to the cultivation of hardy types of quick-maturing, drought-resistant crops. Barley is the one most commonly cultivated in Tibet. There, it is grown up to an elevation of 14,000 feet, occasionally even 15,000 feet.

The barley is not milled; it is parched or roasted in a frying pan. The parched grain is then win-

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Mr. Metcalf, now on a Ford Foundation research fellowship for study in the Philippines, was International Economist, Far East Division, FAS, when this article was prepared.

nowed to remove the burnt husks, and the kernels are ground into a course flour. This precooked barley flour is carried in yak-skin pouches or cloth bags by pack porters, caravan drivers, herdsmen, and nomads on their journeys. When they are hungry, they use the flour to prepare tsamba, which is perhaps the Tibetan national dish: they mix the flour with water until it is a doughlike paste, which looks something like mashed potatoes and requires no further cooking; then, they roll the paste into little balls that they eat with their fingers. With it, they drink yak-butter tea or, occasionally, Tibetan barley beer, called chang.

Meat—mutton and yak—is more common in the diet of the pastoral tribes than in that of the peasants. In Tibet's cold dry climate fresh meat keeps well, but much of the meat is dried. It is cut in strips, boiled, and dried, and in this fashion it is said to keep a year or more.

Only the roughest estimates have ever been made concerning the number of sheep and yaks in Tibet, but the sheep population is probably well over 2 million.

The shearing of wool is performed during July and August and an estimated 8 million to 12 million pounds of raw wool is clipped each year. In the past, roughly 35 percent of this wool was retained for domestic consumption, about 55 was exported by pack train southward across the high Himalayas to India for reshipment to the West, and perhaps 10 percent was shipped by the much longer overland caravan route to China.

Wool is Tibet's chief export, and for more than half a century this trade has been carried on in much the same manner. The wool trading season begins at the end of the wet monsoon in October or November, and the first caravans move southward across the Himalayas into northern India. The distance from Lhasa, the capital of Tibet, to Kalimpong, the southern terminus for most of the mule and yak caravans from Tibet, is about 270 miles; this difficult journey ordinarily takes about a month.

At Kalimpong the raw wool is bought by Indian merchants, who have it sorted, graded, and mechanically pressed into 300-pound bales for railway shipment to Calcutta. The normal wool trading season at Kalimpong extends until May or June of each year, which marks the advent of the wet monsoon and hence the termination of caravan arrivals from Tibet, for, then, the southern slopes of the Himalayas are drenched with some of the heaviest rainfall in the world—200 to 300 inches a year—and it is almost impossible for the caravans to travel along the precipitous mountain trails.

From about 1930 until the beginning of the Second World War almost all of the Tibetan wool shipped through India went directly to the United States. After the war the United States again became the principal buyer, with small amounts going to the United Kingdom and continental European destinations; during the period 1947-50 exports of Tibetan raw wool to the United States through the port of Calcutta averaged about 4 million pounds a year, and exports through Calcutta to other destinations averaged about 1 million pounds. Since this trade was handled through India, the United States dollars and other foreign exchange obtained from the export of Tibetan wool accrued to the benefit of India, not Tibet. In mid-1951 after the Communist seizure of Tibet, the United States put an embargo on further imports of Tibetan wool, thus depressing the Kalimpong wool market.

As a result of this embargo the price of Tibetan wool dropped by more than 50 percent, and a serious financial crisis resulted in Tibet. At the end of 1951, however, the Chinese Communist Government offered to purchase the balance of the 1951 wool clip and whatever remained unsold to other countries of the 1952 production. Pack train shipments out of Tibet to Kalimpong were resumed; Indian merchants purchased the wool there for rail shipment to Calcutta, as in the past; and in Calcutta the wool was sold to Chinese buyers for ocean transport to Shanghai.

Exports of Tibetan wool from Calcutta during 1952 amounted to a bit more than 2 million pounds, about three-fourths of which was shipped to Communist China. This represents a considerable drop from the 5 million pounds a year that was averaged during 1947-50. However, according to recent reports, arrivals of Tibetan wool at Kalimpong during the 1952-53 trading season totaled approximately 5 million pounds. Apparently, the Chinese policy of making large Tibetan wool purchases in India at a premium price is stabilizing the Tibetan wool market.

Brazilian Agricultural Policy Affects Trade*

by KATHRYN H. WYLIE

Brazil, the largest republic in the Western Hemisphere, is our most important foreign supplier, valuewise, of agricultural commodities. These imports reached a peak in 1951 of $865.5 million. Much of this large total was spent for coffee, and the rest for Brazil nuts, cacao, sisal, carnauba wax, oiticica oil, babassu nuts, tapioca, and a long list of products of lesser value.

Our exports of agricultural products to Brazil are much less important than our exports of industrial items, but most of the agricultural products we do sell to Brazil—processed milk, fruits, hops, and canned vegetables—are the very ones for which the export market is important. In 1950, for example, half of our dried whole milk was sold abroad, 47 percent of our prunes, 35 percent of our raisins, and 25 percent of our hops and dried skim milk. In some recent years the total value of our agricultural exports to Brazil has been high; in 1952 it was more than $100 million and in 1947 it was $75 million. But in both these peak years, Brazil imported from us large quantities of wheat or wheat flour, most of which it ordinarily obtains from its neighbor, Argentina. During 1952 there was a virtual failure of the wheat crop in Argentina, and in 1947 the price of Argentine wheat was high.

Background

Brazil has a wide diversity of agriculture, from the rubber and Brazil nuts of the tropical Amazon through the coffee and cacao of the subtropics to the wheat of Rio Grande do Sul in the Temperate Zone. The country produces and exports more than half the world supply of coffee and practically all the babassu nuts, Brazil nuts, and oiticica oil; and it is the most important world producer of castor beans and dry edible beans. In most years it ranks second only to the Gold Coast in the production of cacao beans, and follows only the United States and China in the production of corn. It is the world's fourth largest producer of cotton, sugar, and tobacco, and the fifth largest producer of meat. In spite of recent trends toward industrialization, two-thirds of Brazil's population still live in rural areas.

During recent years the Brazilian Government has intensified its participation in the agricultural production and marketing fields in an effort to better the lot of farmers and provide increased supplies of food, fiber, and raw materials for domestic consumption and export markets.[1] The aims of the current government with respect to agriculture are set forth in major speeches delivered by President Getulio Vargas. These aims are (1) an increase in agricultural and livestock production and (2) a stimulation of investment in agriculture.

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*For this article, the author drew on reports received from the American Embassy in Rio de Janeiro.

[1] For earlier discussions of agricultural policy in Brazil, see "Brazilian Agricultural Policy," by Dwight R. Bishop, *Foreign Agriculture,* April 1949 and May 1949.

Increased production is to be obtained by encouraging agricultural laborers to stay on farms, improving the techniques of agriculture, developing systems of transportation and warehousing, and preserving crops through warehousing. Private investment in agriculture is to be encouraged by developing a system of agricultural insurance, providing minimum prices for farm products, and setting up a system of rediscounts for instruments of agricultural credit. Emphasized also is the need for legislation to improve the structure of agrarian institutions, including tenure, credit, and education. These measures, although they directly concern domestic agriculture, will have an impact also on exports and imports of agricultural products. Of direct and immediate concern to foreign commerce in agricultural items and an important influence on current agricultural developments are the policies the government has set up to control trade.

Trade and Exchange Controls

The foreign trade of Brazil is most effectively regulated through control of foreign exchange, a method that has been used from time to time since 1931; the Bank of Brazil exercises this control under authority which requires that all exchange transactions be made through the Bank. Overall policy with respect to control is set largely in the Ministry of Finance. Thus this Ministry and the Bank share with the Ministry of Agriculture the shaping of agricultural policies.

The basic law under which exports and imports have been controlled in recent years is No. 262 of February 25, 1948, authorizing control over all exports and all imports except pharmaceuticals, cement, and essential foodstuffs. This law has been modified from time to time by regulations and legislation of such a nature as to make it more or less restrictive of trade, the modifications depending on the exchange position and the availability of supplies. During 1949, issuance of import licenses was tied more closely than before to exchange availabilities in order to reduce the heavy backlog of overdue commercial payments. Foodstuffs were gradually withdrawn from the list of commodities exempt from import license, and effective October 5 (Law No. 842) of that year all foodstuffs finally became subject to license.

Regulations issued in July 1953 set up a new list of products for which import licenses could be issued. Although the list included such agricultural items important in the trade with the United States as dried milk and fresh fruit, no licenses for import of these commodities from dollar areas have been granted under this authority. Granting of licenses for imports and exports is still subject to basic law 262, which recently was extended through December 31, 1953. Effective control of trade at the present time, however, results not from the licensing procedure but from the new exchange

TABLE 1.—*Percentage United States production exported and exports to Brazil, specified agricultural products, 1950*[1]

Commodity	Percent United States production exported	Total United States exports	United States exports to Brazil
Wheat .... 1,000 bu.	35.8	321,835	6,396
Wheat flour ...... 1,000 cwt.		22,395	383
Barley malt ...... 1,000 bu.	[2]13.2	4,612	750
Prunes .... 1,000 lbs.	47.4	61,634	564
Raisins .... do	35.1	76,935	844
Leaf tobacco ...... do	26.0	477,595	145
Hops .... do	24.7	14,927	1,620
Dried whole milk .... do	50.0	64,484	1,339
Dried nonfat milk ... do	25.5	198,890	5,238

[1] Year beginning July 1 in most cases.
[2] Includes grain exported.

TABLE 2.—*Brazil's dried milk imports, by country of origin, 1938–52*

[In metric tons]

Year[1]	Total	U. S.	Netherlands	Denmark	Argentina	Other
1938	78	41	5	------	6	26
1939	81	43	5	------	6	27
1940	56	38	------	------	7	11
1941	72	59	------	------	9	4
1942	76	68	------	------	8	----
1943	54	18	------	------	36	----
1944	524	154	------	------	369	1
1945	450	220	------	------	230	----
1946	1,124	1,041	21	------	62	----
1947	2,167	2,135	------	------	32	----
1948	1,291	1,284	------	------	7	----
1949	1,272	1,064	126	11	8	63
1950	2,333	1,494	154	685	------	----
1951	4,632	2,138	761	1,508	10	215
1952	8,480	743	3,830	2,931	------	[2]976

[1] Prior to 1938 dried milk not separately classified.
[2] Principally Germany, Italy, and Canada.

measures announced October 9 and discussed below.

Severity of export control has fluctuated with the domestic supply situation. For example, on April 6, 1948, an export control law was promulgated that required all products to be licensed for export; although this action did not permit outright prohibition of exports, it resulted in no licenses being issued for commodities in short supply. Effective October 5, 1949, however, control was relaxed and by the end of the year all the principal export commodities were exempted from license, and most other commodities were licensed freely. Exports were thus maintained at a high level and the foreign exchange situation eased.

In 1950 private barter transactions were intensified in order to stimulate export sales and to partly compensate for currency devaluation in Europe in late 1949. Such transactions in 1950 represented 20 percent of the exchange movement relating to merchandise. Private barter transactions were abolished early in 1951, except for those already authorized. The government has adopted a barter type of exchange operation known as compensation. Bilateral trade and/or payments agreements are in effect with a number of European and Latin American countries. These agreements are in addition to commitments Brazil has made as a member of the General Agreement on Tariffs and Trade.

The more or less liberal policy of licensing both imports and exports in effect in 1950 was maintained after the outbreak of fighting in Korea. Supplies from abroad were difficult to obtain and license ceilings were sometimes exceeded if supplies were available. By mid-1951, however, foreign exchange reserves were declining to such a point that a more restrictive policy was again adopted.

Despite controls the exchange situation has been worsening, especially with respect to the dollar position. In late 1951 and 1952 Brazil found it necessary to import wheat from countries requiring dollar exchange, because its most important traditional source for wheat—Argentina—had had a crop failure. Although Brazil exported large quantities of coffee at good prices, it was unable to maintain an exchange balance. Usual exports of commodities other than coffee (cotton, carnauba wax, babassu nuts, etc.) declined sharply because they were overpriced in relation to world market prices. Greater-than-expected volume of essential imports requiring cash payment, as well as increased prices of imports to allow for credit risks, added to the difficulties.

In order to take care of the backlog of commercial payments, the government signed an agreement in May 1953 with the Export-Import Bank for a loan of $300,000,000. Arrangements have been made to stimulate the sale abroad of old-crop cotton, and an agreement has been made with Argentina for the purchase of 1,500,000 tons of Argentine wheat in 1953 and additional amounts in following years. A fourth step to alleviate the foreign exchange difficulties was the passage of a so-called free market law (No. 1807), effective February 23, 1953. Under it, the free rate can be used for the export of certain products and also for the remittances abroad of profits of foreign companies. Since the passage of the law the free rate has fluctuated between 37 and 49 cruzeiros to the dollar, compared with the official selling rate of 18.72 to the dollar.

By regulations effective August 10, minimum unit export prices were established for 16 agricultural commodities at prices from 15 to 70 percent under the market. The seller could sell in the free market the exchange resulting from the difference between the official and the export market prices, thus increasing substantially the cruzeiro equivalent of the export prices. The most important commodity affected by this regulation was coffee; since its official price was $68 per bag f.o.b. for Santos style, about $10 per bag on the better grades was thus released for disposition in the free market. The other 15 commodities were carnauba wax, ouricuri wax, Brazil nuts, cacao beans, hides and skins, manioc starch, oranges, menthol, oiticica oil, castor oil, sassafras oil, piassava fiber, ipecac, sisal fiber, and sisal waste. Four other commodities—bananas, lumber, tobacco, and babassu oil—also benefited from exchange arrangements. Exchange resulting from the export of these commodities could be sold 50 percent at the official rate and 50 percent at the free rate. All other commodities, including cotton and castor beans, remained in the official market.

All of these arrangements were superseded by Regulation No. 70 of October 9 that modified the exchange and import control system to provide that: (1) all exchange proceeds from exports be sold to the Bank of Brazil on the basis of the official exchange rate: that coffee receive a premium of 5 cruzeiros per dollar and all other exports, a premium of 10; (2) the Bank of Brazil retain a percentage of exchange to meet official commitments;

TABLE 3.—*United States exports to Brazil, specified products, 1951–53*[1]

[Value in thousands of dollars; quantity in thousands of pounds except as noted]

Commodity	Value			Quantity		
	1951	1952	1953[1]	1951	1952	1953[1]
Dried whole milk 1,000 lbs.	1,476	432	--------	2,535	769	--------
Dried nonfat milk do	167	210	99	1,544	1,251	1,886
Barley malt 1,000 bu.	2,332	1,588	774	[2] 860	[2] 601	[2] 265
Wheat flour 1,000 cwt.	2,002	1,141	6	[3] 359	[3] 214	1
Wheat 1,000 bu.	23,265	93,553	11,192	[2] 11,148	[2] 36,654	[2] 5,478
Apples 1,000 lbs.	1,011	288	--------	12,587	3,028	--------
Pears do	847	361	--------	9,998	4,755	--------
Grapes do	570	282	--------	4,621	3,035	--------
Prunes do	231	389	110	1,276	2,367	512
Raisins do	366	268	--------	1,966	1,546	--------
Hops do	2,192	996	1,245	2,245	1,027	1,324

[1] First 7 months of 1953.
[2] In 1,000 bushels.
[3] In 1,000 hundredweight.

the remainder to be used for imports, which are divided into five categories according to essentiality; (3) nontransferrable rights to exchange purchases for each of the five categories be sold at auction through official brokers; the Bank of Brazil then to sell exchange at the official rate to the holders of these rights.

On the export side, coffee and cotton are the products benefiting most from the new system. The effective exchange for coffee is now 23.36 cruzeiros to the dollar compared with an average of approximately 21 just prior to October 9; the new rate of 28.36 applying to cotton exports compares with an estimated 24 earlier. Cacao and vegetable waxes benefit moderately. Several other products—Brazil nuts, manioc starch, oranges, castor oil, sisal and others—already had rates near 28.

On the import side, the new regulations do not promise much, if any, increase in the Brazilian market for United States agricultural commodities. Wheat imports can still be made at the official rate of exchange, but all other commodities are in one of the five categories for which available foreign currencies will be auctioned. The only important agricultural items included in Category 1 are breeding stock (both plant and animal) and dried milk for infant feeding. Unprocessed oats and groats are in Category 2, but oatmeal, formerly a significant import item, is in Category 5. Leaf tobacco, barley, and toasted barley are in Category 3, but the fresh and dried fruits, nuts, dried peas, and dried whole milk are all in Category 4 for which exchange allocations will be small. Most of the available exchange will go for goods in Category 1. During the first few weeks of operation of the new system the overall effective exchange rate for United States imports approximated 50 cruzeiros per dollar. Premiums paid by importers ranged from 47 cruzeiros per dollar on Category 1 goods to 105 on Category 5 goods.

Strict control of imports through licenses has already severely restricted Brazil's takings of agricultural products from the United States. During 1952 Brazil imported more dried milk than in any previous year, but the United States gave up its place as principal supplier to the Netherlands and Denmark. Exports from the United States to Brazil of fresh fruit, dried milk, malt, hops, and dried fruit, which totaled more than $9 million in 1951, dropped to just under $5 million in 1952. During the first 7 months of 1953 there were no exports at all to Brazil of dried whole milk, apples, pears, grapes, and raisins. Reduction in dollar imports stems partly from Brazil's need to balance its exchange budget and prepare itself to repay the $300 million Export-Import Bank loan. Brazil can import dried milk from the Netherlands and Denmark at lower prices than those obtaining for the United States product, and it has set up an agreement with Argentina that provides for the reciprocal exchange of a specified value of fresh fruits.

Production and Price Policies

Turning to the measures designed primarily to assist domestic producers, the principal ones that have gotten under way are in the field of production and price policies. For a number of years Brazil has controlled production and marketing of the principal commodities through Defense Institutes. The most important of these control organizations has been the one for coffee, Brazil's No. 1 product. The Departmento Nacional do Café (DNC), created in 1933, was replaced by the Instituto Brasileiro do Café (IBC) by Decree Law No. 1779 of December 22, 1952, following several years of confusion as to the responsibility of the old DNC and the Division of Coffee Economy in the Ministry of Finance. The new Institute is authorized to control all aspects of the Brazilian coffee economy, including marketing of the product in the domestic and export markets. To finance its operations it collects 10 cruzeiros per bag on coffee registered for export.

Incentives to produce and protection for farmers have been provided by farm price supports, the first of which were in effect for limited periods of time under authority of Decree Laws No. 5212 of 1943 and No. 9879 of 1946. In 1951 this authority was strengthened by the enactment of Law No. 1506 of December 19, which provides for price stabilization and construction of storage facilities to house commodities acquired under the program. The system is similar in many respects to the operation of the United States Commodity Credit Corporation. The initial list of commodities covered by the law were rice, beans, corn, peanuts, soybeans, sunflower seed, wheat, manioc flour, starch or tapioca, and mate. During 1952 cotton, jute, coffee, carnauba wax, and wool were added. The law authorizes the purchase at minimum prices to the producer of the commodities covered, or the financing of the commodities at 80 percent of the fixed prices. The prices announced for the original list of commodities for the 1952 crops ranged from 45 to 90 percent of the current market price; in general prices for 1953 crops were higher.

On the whole, the prices fixed for the commodities added to the original list have been above the market prices and have tended to build up unsold stocks, especially of cotton, carnauba wax, jute, and wool. Cotton, for example, was added to the list of products on March 19, 1952, when the price was fixed at 250 cruzeiros per arroba (of 15 kilos) for lint cotton of Sao Paulo, type 5, or the equivalent of 85 cruzeiros for seed cotton. Marketing conditions in South Brazil became especially difficult, however, and the government authorized the Bank of Brazil to purchase seed cotton of whatever classification at 85 cruzeiros per arroba. As a result the Bank obtained the bulk of South Brazil's 1952 crop of cotton, much of which graded below type 5 and for which there was no market demand at the price set. North Brazil cotton was financed also, but prices paid were dependent on the classification of the cotton. When the 1953 crop began to come on the market, the purchase and financing arrangements were continued. Although prices paid throughout Brazil depended on strict classification of the cotton, they were still, as a rule, higher than those obtaining in the world market.

A government-created Cotton Commission (Comissao de Assuntos de Algodao) worked for some months preparing a plan for the disposal of the large stock held by the Bank. On May 12, 1953,[2] the Commission announced a two-price system for the sale of the cotton. Domestic sales can be made at the spot price on the Sao Paulo Commodity Exchange, but at not less than the minimum set by decree on December 3, 1952, whereas exports may be made at prices based on futures contracts on the New York Cotton Exchange, a fact of interest to United States cotton growers, for Brazilian cotton competes on the world markets with United States cotton.

Other Policies Affecting Agriculture

Agricultural credit, agrarian reform, development of extension services, and improved techniques of farming all have received attention from the Federal Government from time to time. Developments to date have not been outstanding, but increasing attention is being given them.

During the past year and a half new regulations affecting agricultural credit have been issued by the Agricultural and Industrial Department of the Bank of Brazil, giving legal status to certain practices already in effect and providing for loans to cooperatives as well as for long-term investment loans. The Bank makes loans to farmers at 7 percent interest, plus a 1-percent fee for inspection; commercial banks charge 12 percent. Legislation has been proposed under which a new type of government financing for small farmers would be created as part of the program to encourage increased agricultural production. Authority would be granted for issuing government bonds or other obligations in favor of credit establishments, and these bonds, etc. could be rediscounted by the

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[2] See Foreign Agriculture Circular FC 10-53 of June 5, 1953.

Bank of Brazil. Under consideration also is the creation of a Rural Credit Bank with branches throughout the country.

Some of the other agrarian problems—colonization, technical aid to small farmers, rural social services, and land tenure reform—as well as financial aid to small producers, are being considered by the National Commission on Agrarian Policy, which was officially installed on January 14, 1952. The Commission is now working on legislation to be proposed to the Congress. In Brazil, as in most countries, these agrarian problems have political overtones, with different segments in the economy holding widely varying views with respect to their solution. So far the government is attempting to steer a middle course.

Over the long pull, the success of the government's program to increase agricultural production, particularly of foodstuffs, will depend on technical improvements in the practices of the man on the land. To aid him the Federal Ministry of Agriculture and several State Ministries of Agriculture have extension programs designed to make available the results of research. And emphasis is being given to mechanization of agriculture through the training of regional agronomists in farm mechanics at Fazenda Ipanema and through the operation of farm machinery groups (patrulhas) that perform clearing, plowing, and other services for farmers for a modest fee. The Bank of Brazil is using the proceeds of an Export-Import Bank loan to purchase farm equipment for sale to farmers. Furthermore, an agreement was signed on June 26, 1953, by the Brazilian and United States Governments for continued technical cooperation on problems of rubber, cacao, farm machinery, and extension. In addition to this bilateral arrangement, Brazil is receiving technical assistance from the Food and Agriculture Organization, particularly in forestry, sociology, land tenure, irrigation, and extension; and Brazil is cooperating in other international programs and with private firms in its effort to improve the techniques of agriculture.

Outlook

Brazil's preoccupation with industrialization during the past several years is lessening somewhat as the country realizes that its industrial future must be based on a prosperous agriculture that will provide additional export earnings. Expectations are that programs for expanding agricultural production will be intensified and that technical cooperation in the field of agriculture, both bilateral and international, will increase. For the immediate future, export availabilities probably will not be sufficient to pay off the accumulated foreign debt and to buy other than essential imports from dollar countries. Insofar as measures now being taken correct the imbalance in foreign exchange and strengthen production for export, the way will open for greater purchases of agricultural products from the United States. Increasing demand for dried milk, fresh and dried fruits, and wheat products over the past few years will no doubt continue with the expected advance in productivity and purchasing power of the Brazilian worker. The recent trend toward more and more restrictive measures affecting trade, however, will need to be reversed and policies liberalized to allow freer international exchange of products.

New Releases On World Agriculture

United Kingdom Market for United States Agricultural Products, Agriculture Information Bulletin No. 104, was recently published by Foreign Agricultural Service. This 75-page publication, the third in a series of special studies appraising demand for United States farm products in foreign markets, traces the development of the British market for such products, from the interwar years to 1952. With emphasis on the postwar years, the bulletin discusses the trends of United States exports to the United Kingdom, and the trends of United Kingdom imports; and it relates these trends to the agricultural policies and trade policies of the United Kingdom.

Half of the bulletin is concerned with detailed developments affecting the following United States agricultural exports: cotton, tobacco, grains, fats and oils, fruit (fresh, dried, and canned), meat, and dairy products. Numerous statistical tables contribute greatly to the value of this publication.

For sale by the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. Price 25 cents.

Improving the Potato of Peru

By ARTHUR F. SWANSON and NORMAN M. WARD

Improving the potato of Peru might seem like carrying coals to Newcastle, for not only is the potato indigenous to Peru but the Peruvian product has provided scientists with good genes for improving the vegetable in many other parts of the world. Even so, a better potato can be grown in Peru, and, to this end, plant scientists are working under the technical assistance program to improve seed stocks, production methods, insect and disease control measures, and storage methods. For the potato is Peru's most important food crop.

Potatoes are grown throughout the year in Peru. The summer crop is produced under rainfall in the cool highlands of the Sierra, where most of the people live; here, planting begins in September and continues until December and harvest begins in April. The winter crop is grown in the coastal regions under irrigation; planting is done from April to July and harvest from September to December. Because the winter crop is much the smaller and because there is a shortage of storage facilities, potatoes are not plentiful in the large consumer centers during the 3 or 4 months preceding the harvest in the Sierra.

More potatoes could be grown along the coast but the crop competes with Tanguis cotton, which has a high export value and brings high acreage returns. Since the recent decline in world cotton prices, however, more and more cotton growers have been rotating potatoes with cotton. Too, plans are being discussed for doubling the storage capacity for potatoes in Lima.

Scientists working under the technical assistance program have done considerable work on the storage of potatoes both along the coast and in the Sierra. In the Sierra, potatoes can be stored satisfactorily at elevations of 7,000 feet or higher without mechanical refrigeration. Recent work on the use of the hormone methyl ester of naphtalenacetic acid has extended storage time there from the customary 3 to 5 months to 7 to 9 months. Extending the storage period also has a bearing on maintaining pure seed stocks. The Indians in the high Sierra solve their storage problem by keeping their potatoes—as long as 6 months—in stone huts that are heavily plastered with mud.

The Indians have another way of conserving potatoes; they dehydrate them and grind them into flour, called Chuño, or they use them in the dried form. In the high altitudes, where the temperatures fluctuate rather widely, black or white bitter potatoes are dried, but, in the drying, they lose the bitter taste. Such potatoes are exposed to alternate freezing and thawing. During the day the black ones are covered with straw, but with no more than will let some light penetrate, and the white ones are covered deeply with water or straw so that the light does not strike them. In both cases the potatoes are exposed to freezing temperatures part of the time in order to break down the cell structure so that the stored water may be released when the potatoes are dried. During the alternate freezing and thawing process, the skin is removed, either by

Huasahuasi potatoes, a favorite for seed stock among the potatoes of Peru, is being studied and improved at the La Molina Agricultural Experiment Station, Lima.

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rubbing the potatoes by hand or by tramping them underfoot. Finally, the potatoes are dried in the sun for several weeks.

The Indians of Peru have been drying potatoes, in one way or another, for centuries. Evidence from excavations indicates that Chuño was made long before the Spanish Conquest.

Many Indians also grow potatoes in much the same way as their forefathers did. For that reason, yields vary widely in Peru. They are very low, particularly in the Sierra where the soil is stony and of low fertility and where the farmer's only tool is a mattock. They compare favorably with yields of any other country, however, in the fertile coastal valleys and in some areas of the Sierra where the most modern machinery, good management, and fertilizers are used.

The most important of these potato producing areas are in Central Sierra—in the Provinces of Junin and Pasco, where Casablanca and Maco are the principal improved varieties. Another important location is Huasahuasi, in the Province of Tarma; from here comes nearly all the seed that is used in central coastal Peru. The Department of Puno in Southern Sierra and the Departments of La Libertad and Cajamarca in northern Peru are also important potato producing regions.

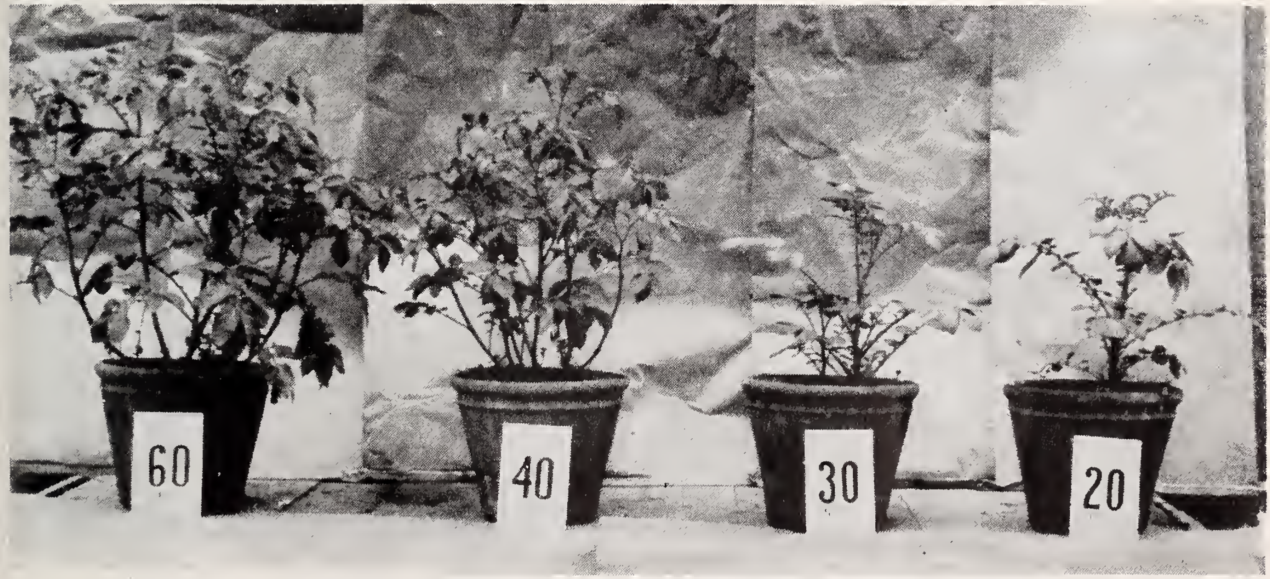
The seed stock that comes from Huasahuasi is sold under that name but it is not a pure variety; it is a mixture of early maturing types. The popularity of this seed is due to its ability to come out of dormancy in time to be planted at the most optimum date along the coast in the Cañete and Lima areas, where commercial production has only recently become important.

The indigenous types of Peruvian potatoes, even though they may have been modified by selection or intercrossing, give a range of size, shape, flavor, and color. Peruvian potatoes, generally, have a good flavor when properly handled in transit and storage and they are usually not large.

The Indians of the Sierra often grow half a dozen or more kinds of potatoes to meet specific needs. As an example, a flat potato is preferred in areas where the only fuel is dry plant residue that burns intensely for a short time. Other types are preferred for soup, flour, or for a change in flavor.

As yet there are no commercial varieties of potatoes resistant to late blight, which is one of the most serious potato diseases in Peru and one that has been commanding attention of scientists there as elsewhere. Breeding work, including the use of wild types as parents for resistance to late blight is under way at La Molina, Concepción, Cañete, and Puno. Meantime, the disease is being controlled by the consistent application of copper or zinc compounds. Virus and fusarium are also prevalent, especially along the coast. Clean seed stocks and planting at the optimum time could do much to hold these diseases to a minimum.

Another important problem on which scientists have been making headway is the control of soil



The size of the seed pieces (shown on the cards) greatly influences the vigor of the potato seedling.

On this gravelly land, Indian women gather the potato crop with care: low yields make each tuber particularly precious.

worms on the coast and the "gorgojos de los Andes" in the Sierra. Effective control of these insects has been accomplished by the use of any one of the following chemicals—BHC, 1 percent; Aldrin, 2½ percent; and Dieldrin, 1½ percent. Where severe infestations occur, two applications are needed—one at planting time and a second at the first or second cultivation.

A third problem on which scientists are working concerns the dormancy period. The planting of potatoes in the Sierra and later treatment of the seed stocks must be so regulated that the varieties go out of dormancy at least by June for planting in the coastal region. The La Molina station has found that the dormancy period may be shortened by treating tubers with 40-percent ethylene chlorhydrin in varying concentrations of 0.5 cc., 1.0 cc., and 1.5 cc. per liter (about 60 cubic inches) of air space for a period of about 96 hours at a temperature of 72° F. The higher concentration gives the best results. Tubers so treated will sprout within 15 to 20 days.

The dormancy period may also be broken by exposing tubers to a temperature of 40° F. for 30 days and then to a temperature of 78° F. for 60 to 70 days. Such seed when planted will emerge in 15 to 18 days to a uniform stand. Seed potatoes treated by temperature control give somewhat higher yields than those treated chemically. Just why is not known, but it may be that the cold temperature activates the hormones to a greater degree than do the chemicals.

Untreated seed potatoes germinate and emerge in 85 to 120 days, and emergence is uneven, maturity and harvesting are irregular, and yields are lower than for treated seed.

From the dormancy tests, scientists have learned, too, that seed from fully matured potatoes gives higher yields than seed from immature tubers. They have also learned that whole seed 60 grams in weight gives a quicker germination and stronger plants with higher yields than cut pieces or smaller seed of 30-gram size.

At the present time, seed potatoes coming from the Sierra for planting on the coast are not always up to standard in purity and sanitation; they are often a mixture of different types, which lowers yield and causes irregularity in emergence, stands, and maturity.

However, the establishment of a potato seed growers association to produce and handle pure seed stocks has been considered. Such an undertaking should be profitable, for growers in the Cañete Valley alone buy several thousand dollars worth of seed potatoes each planting season.

A simple grader is used to sort cull potatoes from seed stock at the Hacienda Colcas, Huaylas, Peru.

World Sugar Situation

By FRANCIS G. THOMASON

A new International Sugar Agreement, scheduled to go into effect this month, was successfully negotiated by representatives of 50 nations on August 24, 1953. Never before have so many countries joined together in an attempt to stabilize the world sugar market.

The problem of sugar is like that of grain and many other agricultural commodities: it is a surplus product. It is a surplus product despite the fact that millions of people never get enough of it. The paradox arises to a great extent from the fact that the deficit consuming areas of the world cannot afford to buy the surpluses of the large producing areas. If world per capita consumption of sugar averaged only half that of the United States, more than 60 million short tons would be required annually instead of the 36 million tons produced last year.

The paradox occurs after a postwar period during which the nations of the world strived to overcome serious wartime dislocations of their economies and at the same time to reach at least prewar levels of consumption. The large prewar exporting areas of Asia, ruined by war, have made strenuous efforts to regain their prewar footing in the present sugar world; the net-exporting areas of the Western Hemisphere expanded production to fill the vacuum caused by the loss of Asian output.

At the same time, net-importing countries of the world have made it a policy to expand acreage and production of sugar, not only to facilitate a return to prewar levels of consumption but, in many cases, to achieve self-sufficiency or near self-sufficiency.

As a result of these efforts of both exporters and importers, the net exporters are more than able to fill the previously existing vacuum.

One of the difficulties in the postwar period has been the apparent inability of the deficit areas to purchase sugar from surplus areas to the extent necessary to fulfill total requirements. The large surplus sugar areas of North and Central America (other than the United States) produced 24 percent of the world sugar output during 1952-53 and consumed only 6 percent of world requirements from that crop. The bulk of the sugar sold by the producing area in the world free market during the postwar period has been purchased with hard currency, an item of short supply in the soft-currency net-importing areas of the world. While many deficit areas have diverted a part of their available dollars to the purchase of sugar, a large part of the sugar moving from the Western Hemisphere has been financed by one or more of the foreign aid programs of the United States. A majority of the large buyers in the world market have encouraged domestic production primarily as a means of eliminating the necessity of releasing hard currencies for such purposes.

Another factor in the sugar picture is the disparity of consumption levels throughout the globe. The continent of Asia, which contains more than half the world's population, produced only 14 percent of the world's centrifugal sugar in 1952-53, and consumed only 16 percent. True, the sweetener requirements of that continent are supplemented by less refined types of sweeteners. Noncentrifugal (native type) sugar production exceeded the centrifugal sugar output during the 1952-53 season and requirements are further satisfied by other types of sweeteners. Nevertheless, it is doubtful that Asian per capita consumption of all types of sweeteners exceeds 20 pounds per year. However, the present stress on expansion of facilities for centrifugal sugar production in most areas of Asia points to increased per capita consumption in the future.

Disparities in consumption levels are evident in even the more technically advanced areas of the world. Western Europe, with 12.7 percent of the world's population, consumed 23 percent of the output from the 1952-53 crop of centrifugal sugar; the United States and its possessions, with only half the population of Europe, consumed about the same quantity of sugar. Obviously, Western Europe is a potentially larger consumer of centrifugal sugar.

The Soviet Union has an estimated 8.4 percent of the world's population, yet it used less than one-third as much of the world sugar crop of 1952-53 as did the United States with its 6.3 percent of the world's population.

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In South America, consumption has shifted more and more from noncentrifugal to centrifugal sugar. In fact, consumption of centrifugal sugar there has more than doubled since the prewar (1935-39) period and no leveling off is foreseen in the near future.

In Africa, too, consumption is rising; it has increased by one-half since prewar and a continued increase is forecast.

The United States has maintained in recent conferences that stability in the world sugar market must be attained through expanded consumption. And, to a large extent, such expansion would follow if internal barriers in the individual importing countries were reduced enough to allow a lower priced sugar to reach the ultimate consumer. Surely, retail prices as high as and exceeding 28 cents per pound in early 1953 in some countries must be considered excessive.

With the postwar expansion of sugar production, which reached its peak in 1951-52, the price of world raws broke from a postwar high of 8.05 cents per pound at Cuban ports in June 1951 and gradually dropped, reaching a low of 3.05 in early November of this year.

Facing the situation as it is, the majority of the nations importing and exporting sugar has agreed that some control is now necessary over the sugar production of the world. Though the Agreement, recently concluded, provides controls over less than one-seventh of the total world production of centrifugal sugar—that quantity which enters the free world market—this fraction has accounted for the sharp price fluctuations of the past.

The new International Sugar Agreement is a multilateral export quota type agreement. Unlike some commodity agreements, the sugar agreement does not obligate importing countries to take specified quantities of sugar. To maintain free market sugar prices within a range of 3.25 to 4.35 cents per pound at Cuban ports, the Agreement provides for the expansion and contraction of sugar supplies exportable to the world free market through adjustments in exports quotas. The price range can be modified by the administrative body under the Agreement. The Agreement recognizes and excludes from the free market imports made under certain preferential arrangements such as those provided for under the British Commonwealth Agreement, the United States Sugar Act, and others.[1]

What are the current conditions confronting the International Sugar Council in the administration of the new Agreement?

West European production for 1954 consumption is 1.2 million short tons larger than that of the preceding season. A part of this additional production represents a potential decrease in imports from the free world market, for West Europe has been a large purchaser of free market sugar.

Increased consumption in the United Kingdom in 1954 as a result of derationing will be largely satisfied through inventories accumulated during 1953. These inventories have been derived chiefly from Cuba in a purchase of 1.1 million short tons for domestic consumption, 900,000 tons of which were received in 1953.

This season the opening carry-over reported by the major areas importing and exporting totaled 9.4 million short tons, an increase of 4.4 million tons over the stocks held by these nations just before the large crop of 1951-52. Current inventories include a special stabilization reserve of 1.6 million short tons held by Cuba. The Agreement provides that this stabilization reserve shall not be considered part of the stocks available to the free world market and thus it is excluded from the provision in the Agreement that limits stocks to 20 percent of annual production. Of the balance of current inventories, a sizable quantity of the sugar is held in the hands of importing nations, which purchased heavily in the world market during 1953. The result of some transactions during the year has been merely the transfer of stocks from exporters to importers. The United Kingdom purchase of Cuban sugar is a notable example.

In dealing with these problems, the Council may make use of two major provisions contained in the Agreement.

First, the Council is directed to make an estimate of the net import requirements of the free market on which export quotas will be based. To be effective this estimate must, of course, be realistic in view of current inventories of sugar, the location of those inventories, and the prospective supplies available from current crop production. Effective export quotas under the Agreement may be as low as 80 percent of the basic quotas, which total 5.4 million metric tons. Second, the Council is permitted to modify the price range if conditions so dictate.

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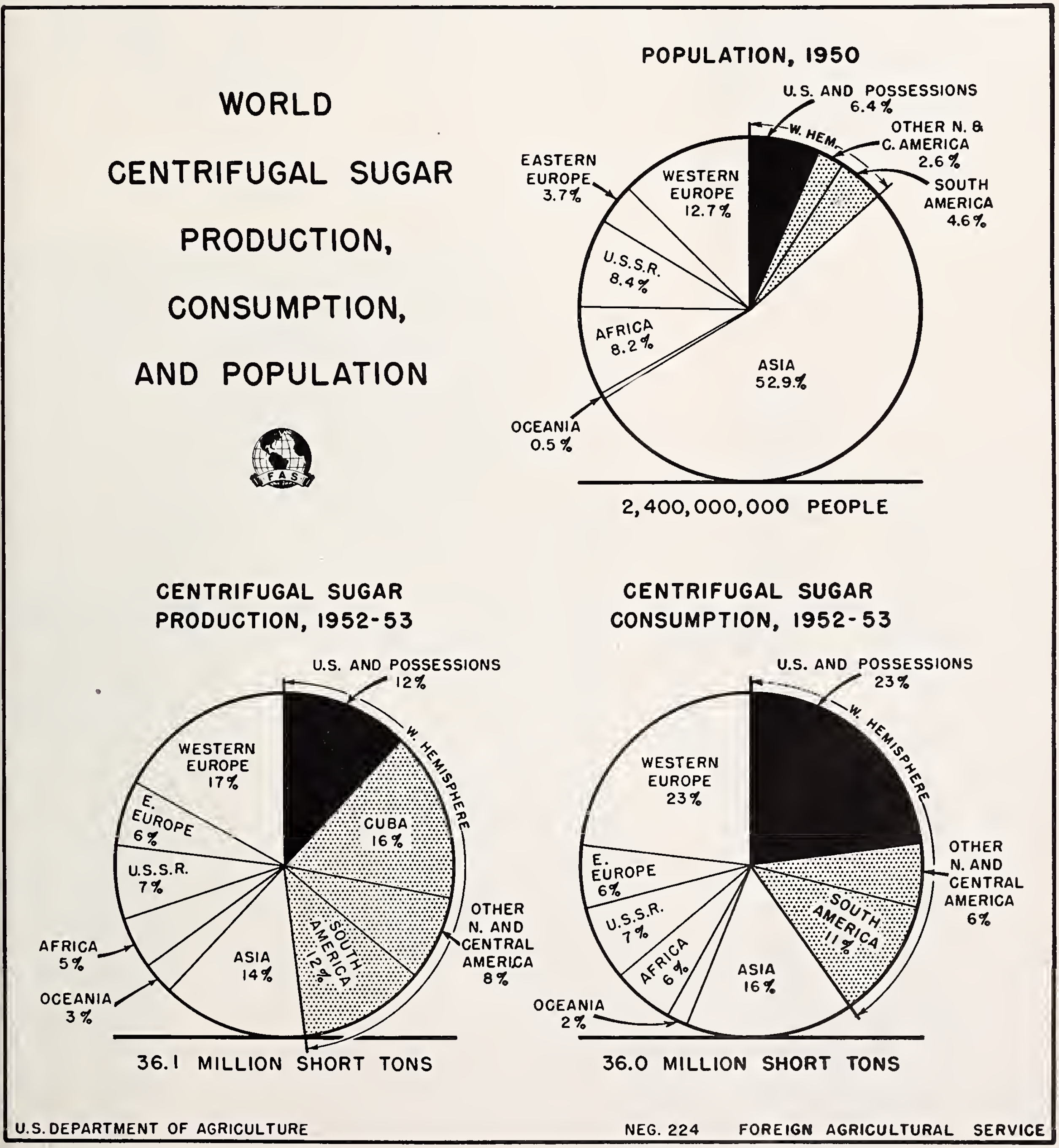
[1] A more complete description of the new Agreement appears in "Sugar Reports No. 21" and "Marketing Activities," both published in October 1953 by the Commodity Stabilization Service.

The new International Sugar Agreement is a remarkable document in that, under the current circumstances, so many divergent interests—national, economic, and political—have been brought into conformity on a single commodity. Although these interests could not be reconciled entirely, most of the Agreement members are in complete accord in one respect: the world is much better with the Agreement than without it and it is an important step toward solving the problem of what to do with the surplus commodity sugar.



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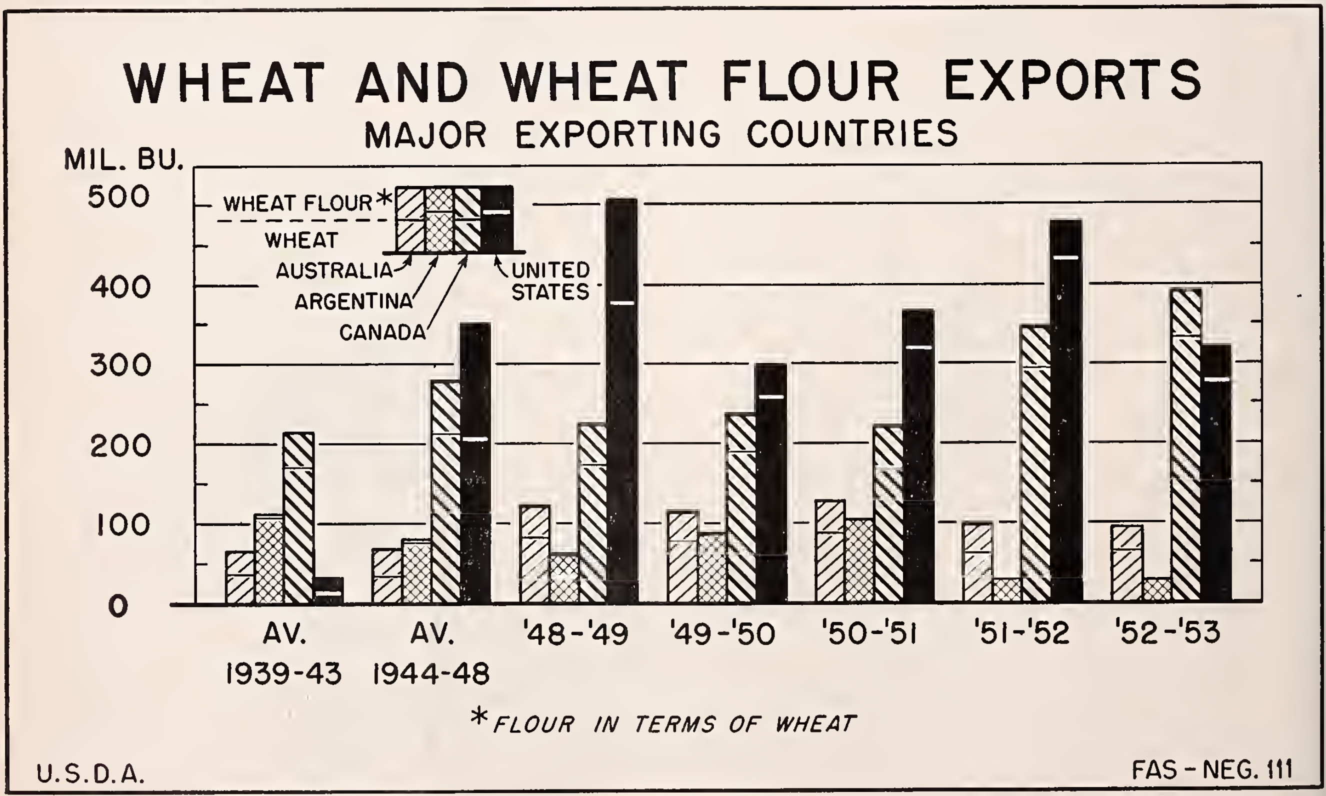

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